

EXECUTIVE SUMMARY

The outlook for the Idaho economy has softened compared to the previous one for the second time this year. However, the current change is much less dramatic than the April 2001 revision. After this year, the divergence between the two forecasts becomes more noticeable. Two main reasons for this are slower growth of the national economy after 2001 than was previously believed and higher inflation. In the April 2001 forecast, Idaho nonfarm employment growth was expected to hit its nadir of 1.5% in 2001 then begin to climb steadily. In the current forecast, Idaho nonfarm employment growth, after posting a 1.6% showing this year, bottoms out at 1.4% in 2002. Because of this slower pace, Idaho nonfarm employment goes from being 635 (0.1%) higher in 2001 than forecast in April 2001 to nearly 2,600 (0.4%) lower by 2004. The combination of slower employment growth, higher inflation, and lower interest rates dampens Idaho real personal income growth. Previously, this important measure of the state's economic health was anticipated to rise 3.0% in 2001, 3.7% in 2002, and 4.5% in both 2003 and 2004. In the current forecast, Idaho real personal income advances just 1.8% this year, 2.8% next year, and about 4.0% in both 2003 and 2004. As a result, Idaho nonfarm personal income is \$610 million lower (1.8%) in 2004 than was previously forecasted. Although the outlook for the Idaho economy has weakened since the last forecast was published, a couple of important characteristics remain in place. In the previous forecast it was noted that Idaho's economy was expected to slow, but not stall or retreat. It was also pointed out that the state's economy was projected to fare better than the national economy. Both of these observations remain true in the July 2001 forecast

It appears the economy is weaker than was previously projected. In January 2001, it was believed the U.S. economic slowdown would be mild and that the economy would enjoy a speedy recovery. The economy's prognosis was downgraded last spring and again this summer. In the July 2001 forecast, real GDP manages to grow just 1.7% this year--which is less than half of what was expected in January 2001 and well below its potential. The economy's current condition has been labeled a "U" Scenario. This is because the slow decline in real GDP and gradual recovery resembles the 21st letter of our alphabet. While the U.S. economy is expected to perform below par over the next few years, its condition is far from terminal. Under current conditions, the nation's economy is projected to slow, but not decline. It should gradually pick up speed after 2001, but this growth is expected to be less than experienced in the latter 1990s.

IDAHO ECONOMIC FORECAST

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JULY 2001

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
GDP (BILLIONS)										
Current \$	7,401	7,813	8,318	8,790	9,299	9,963	10,386	10,898	11,512	12,142
% Ch	4.9%	5.6%	6.5%	5.7%	5.8%	7.1%	4.2%	4.9%	5.6%	5.5%
1996 Chain-Weighted	7,544	7,813	8,159	8,516	8,876	9,318	9,477	9,697	9,998	10,311
% Ch	2.7%	3.6%	4.4%	4.4%	4.2%	5.0%	1.7%	2.3%	3.1%	3.1%
PERSONAL INCOME - CURR \$										
Idaho (Millions)	22,869	24,174	25,227	26,984	28,627	31,288	32,610	34,222	36,384	38,618
% Ch	6.9%	5.7%	4.4%	7.0%	6.1%	9.3%	4.2%	4.9%	6.3%	6.1%
Idaho Nonfarm (Millions)	22,073	23,298	24,557	26,092	27,686	30,168	31,539	33,116	35,243	37,462
% Ch	6.6%	5.6%	5.4%	6.2%	6.1%	9.0%	4.5%	5.0%	6.4%	6.3%
U.S. (Billions)	6,201	6,547	6,937	7,391	7,790	8,282	8,677	9,074	9,582	10,099
% Ch	5.3%	5.6%	6.0%	6.5%	5.4%	6.3%	4.8%	4.6%	5.6%	5.4%
PERSONAL INCOME - 1996 \$										
Idaho (Millions)	23,360	24,172	24,745	26,189	27,301	29,141	29,665	30,483	31,693	32,920
% Ch	4.5%	3.5%	2.4%	5.8%	4.2%	6.7%	1.8%	2.8%	4.0%	3.9%
Idaho Nonfarm (Millions)	22,546	23,297	24,088	25,323	26,403	28,099	28,691	29,497	30,699	31,935
% Ch	4.2%	3.3%	3.4%	5.1%	4.3%	6.4%	2.1%	2.8%	4.1%	4.0%
U.S. (Billions)	6,334	6,547	6,805	7,173	7,430	7,714	7,893	8,083	8,347	8,609
% Ch	3.0%	3.4%	3.9%	5.4%	3.6%	3.8%	2.3%	2.4%	3.3%	3.1%
HOUSING STARTS										
Idaho	9,362	9,223	8,861	10,118	10,331	11,527	10,856	10,130	9,907	10,249
% Ch	-26.7%	-1.5%	-3.9%	14.2%	2.1%	11.6%	-5.8%	-6.7%	-2.2%	3.4%
U.S. (Millions)	1,361	1,469	1,475	1,621	1,647	1,575	1,563	1,506	1,524	1,557
% Ch	-5.9%	7.9%	0.4%	9.9%	1.6%	-4.4%	-0.8%	-3.6%	1.2%	2.1%
TOTAL NONFARM EMPLOYMENT										
Idaho (Thousands)	477.4	492.6	508.7	521.5	539.1	559.2	568.0	575.9	588.4	602.9
% Ch	3.5%	3.2%	3.3%	2.5%	3.4%	3.7%	1.6%	1.4%	2.2%	2.5%
U.S. (Millions)	117.2	119.6	122.7	125.8	128.9	131.8	132.7	133.6	134.9	136.4
% Ch	2.7%	2.0%	2.6%	2.6%	2.4%	2.2%	0.7%	0.7%	1.0%	1.1%
SELECTED INTEREST RATES										
Federal Funds	5.8%	5.3%	5.5%	5.4%	5.0%	6.2%	4.3%	3.6%	4.2%	4.7%
Bank Prime	8.8%	8.3%	8.4%	8.4%	8.0%	9.2%	7.3%	6.6%	7.2%	7.7%
Existing Home Mortgage	7.8%	7.7%	7.7%	7.1%	7.3%	8.0%	7.5%	7.7%	7.7%	7.8%
INFLATION										
GDP Price Deflator	2.2%	1.9%	1.9%	1.3%	1.5%	2.1%	2.4%	2.5%	2.5%	2.3%
Personal Cons Deflator	2.3%	2.2%	1.9%	1.1%	1.8%	2.4%	2.4%	2.1%	2.3%	2.2%
Consumer Price Index	2.8%	2.9%	2.3%	1.5%	2.2%	3.4%	3.4%	2.5%	2.4%	2.3%

National Variables Forecast by DRI*WEFA
Forecast Begins the FIRST Quarter of 2001

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	2001				2002				2003			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP (BILLIONS)												
Current \$	10,229	10,328	10,458	10,528	10,693	10,833	10,962	11,103	11,282	11,437	11,586	11,745
% Ch	4.6%	3.9%	5.1%	2.7%	6.4%	5.3%	4.9%	5.2%	6.6%	5.6%	5.3%	5.6%
1996 Chain-Weighted	9,424	9,449	9,512	9,523	9,602	9,667	9,727	9,794	9,886	9,962	10,033	10,112
% Ch	1.3%	1.1%	2.7%	0.5%	3.3%	2.8%	2.5%	2.8%	3.8%	3.1%	2.9%	3.2%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	32,075	32,450	32,835	33,081	33,493	33,965	34,463	34,968	35,533	36,113	36,673	37,218
% Ch	5.2%	4.8%	4.8%	3.0%	5.1%	5.8%	6.0%	6.0%	6.6%	6.7%	6.3%	6.1%
Idaho Nonfarm (Millions)	31,083	31,408	31,704	31,962	32,410	32,882	33,344	33,828	34,410	34,980	35,519	36,060
% Ch	4.9%	4.2%	3.8%	3.3%	5.7%	6.0%	5.7%	5.9%	7.1%	6.8%	6.3%	6.2%
U.S. (Billions)	8,555	8,638	8,722	8,791	8,905	9,018	9,130	9,243	9,389	9,522	9,647	9,772
% Ch	6.1%	4.0%	3.9%	3.2%	5.3%	5.2%	5.1%	5.0%	6.5%	5.8%	5.4%	5.3%
PERSONAL INCOME - 1996 \$												
Idaho (Millions)	29,435	29,584	29,773	29,869	30,071	30,338	30,624	30,897	31,212	31,546	31,859	32,155
% Ch	2.0%	2.0%	2.6%	1.3%	2.7%	3.6%	3.8%	3.6%	4.1%	4.4%	4.0%	3.8%
Idaho Nonfarm (Millions)	28,524	28,634	28,747	28,859	29,099	29,371	29,630	29,889	30,226	30,557	30,857	31,155
% Ch	1.7%	1.6%	1.6%	1.6%	3.4%	3.8%	3.6%	3.6%	4.6%	4.4%	4.0%	3.9%
U.S. (Billions)	7,851	7,876	7,908	7,938	7,996	8,055	8,113	8,167	8,247	8,318	8,381	8,442
% Ch	2.8%	1.2%	1.7%	1.5%	3.0%	3.0%	2.9%	2.7%	4.0%	3.5%	3.1%	3.0%
HOUSING STARTS												
Idaho	11,219	10,982	10,732	10,490	10,344	10,193	10,064	9,920	9,866	9,864	9,906	9,993
% Ch	-6.2%	-8.2%	-8.8%	-8.7%	-5.5%	-5.7%	-5.0%	-5.6%	-2.2%	-0.1%	1.7%	3.6%
U.S. (Millions)	1,625	1,561	1,525	1,541	1,524	1,499	1,497	1,504	1,507	1,521	1,531	1,539
% Ch	24.2%	-14.9%	-8.9%	4.4%	-4.5%	-6.3%	-0.5%	1.8%	0.9%	3.8%	2.5%	2.1%
TOTAL NONFARM EMPLOYMENT												
Idaho (Thousands)	565.6	567.1	568.9	570.5	572.2	574.3	577.0	580.1	583.2	586.6	590.1	593.6
% Ch	1.0%	1.1%	1.3%	1.1%	1.1%	1.5%	1.9%	2.2%	2.2%	2.4%	2.4%	2.4%
U.S. (Millions)	132.6	132.5	132.7	132.9	133.2	133.4	133.7	134.0	134.4	134.7	135.0	135.4
% Ch	0.9%	-0.2%	0.8%	0.6%	0.8%	0.4%	1.0%	0.9%	1.1%	1.1%	0.9%	1.1%
SELECTED INTEREST RATES												
Federal Funds	5.6%	4.3%	3.6%	3.5%	3.5%	3.5%	3.5%	3.8%	4.0%	4.1%	4.3%	4.4%
Bank Prime	8.6%	7.3%	6.6%	6.5%	6.5%	6.5%	6.5%	6.7%	7.0%	7.1%	7.3%	7.4%
Existing Home Mortgage	7.2%	7.4%	7.6%	7.9%	7.8%	7.6%	7.6%	7.7%	7.7%	7.7%	7.7%	7.7%
INFLATION												
GDP Price Deflator	3.2%	2.6%	2.4%	2.2%	3.0%	2.5%	2.3%	2.4%	2.7%	2.4%	2.4%	2.3%
Personal Cons Deflator	3.2%	2.6%	2.2%	1.7%	2.3%	2.1%	2.1%	2.3%	2.4%	2.2%	2.2%	2.2%
Consumer Price Index	4.2%	3.8%	2.8%	2.2%	2.7%	2.3%	2.3%	2.4%	2.5%	2.3%	2.3%	2.4%

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